

# European Communities

---

EUROPEAN PARLIAMENT

## Working Documents

1974-1975

---

10 March 1975

DOCUMENT 524/74

### Report

drawn up on behalf of the Committee on Energy, Research and Technology

on the proposal from the Commission of the European Communities to the  
Council for a resolution on the objectives of a common energy policy

**Rapporteur: Mr. J.-F. PINTAT**

PE 39.687/fin



By letter of 18 December 1974 the Committee on Energy, Research and Technology requested authorization to draw up a report on the proposal from the Commission of the European Communities to the Council for a resolution on the objectives of a common energy policy.

Authorization was given by the President of the European Parliament in his letter of 15 January 1975.

On 31 January 1975 the committee appointed Mr Pintat rapporteur.

It considered the draft report at its meeting of 11 February 1975 and unanimously adopted the motion for a resolution and the explanatory statement on 4 March 1975

Present: Mr Burgbacher, acting chairman; Mr Pintat, rapporteur; Lord Bessborough, Mr Hansen (deputizing for Mr Nørgaard), Mr Leenhardt, Mr Memmel, Mr Ney, Mr Normanton, Mr Radoux (deputizing for Lautenschlager) and Mr Vandewiele.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT	
I. Introduction :	
(a) Context .....	7
(b) Developments .....	8
II. The objectives of the Community energy policy between now and 1985 .....	9
(a) Scope of the objectives .....	11
(b) Analysis of the objectives .....	11
III. Measures to be taken .....	15
IV. Conclusions .....	16

The Committee on Energy, Research and Technology hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the proposal from the Commission of the European Communities to the Council for a resolution on the objectives of a common energy policy

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(74) 1960 final);
  - having regard to its earlier resolutions on the need for a Community energy policy, particularly its resolution on the proposals from the Commission of the European Communities to the Council on a new energy policy strategy for the European Community<sup>1</sup>;
  - having regard to the report of the Committee on Energy, Research and Technology (Doc. 524/74);
1. Welcomes the Commission's proposals setting out guidelines for a Community energy policy designed to improve the security of supply;
  2. Notes that the quantitative objectives laid down for the supply structure for 1975-1985 are based on a policy of voluntary action which would take account of the interests of the Community and so greatly reduce its dependence in the matter of energy;
  3. Expects the Commission and the Council to indicate as soon as possible the ways and means of achieving these objectives;
  4. Is convinced that these ways and means will need to have sufficient binding force if the supply structure is to be modified in this way;
  5. Approves the proposal to restrict the growth rate of internal consumption to 3.5% per annum instead of 5% as originally planned, and stresses that this can only be done by concerted national and Community efforts;

---

<sup>1</sup> OJ No. C 93, 7 August 1974

6. Believes that a Community plan for economizing in energy and combatting waste is required as a matter of urgency if this reduction in internal consumption is really to be achieved;
7. Emphasizes once again that the disparity in energy pricing systems within the Community and their frequently arbitrary nature constitute a major obstacle to the achievement of the proposed objectives and requests the Commission to submit to it proposals for harmonization in this sphere;
8. Considers that the Community should promote exploration for new hydrocarbon deposits in its territory and in geographically diverse areas, in order to reduce dependence on the present suppliers;
9. Believes that the development of nuclear energy on the scale envisaged by the Commission depends on the removal of a great many obstacles, one of the main ones being public ignorance on the subject;
10. Recalls its repeated requests that the Community's production of solid fuels should be not merely maintained at its present level but intensified;
11. Approves the Commission's proposal, subject to these observations, and asks the Commission to report to it at intervals on progress made towards achieving these objectives;
12. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION(a) Context

The energy crisis is entering its second year with no sign of any appreciable improvement in the problems it has brought about. International cooperation and the energy policies of the main parties concerned are characterized by confusion and helplessness. Hopes that the price of oil, the central issue of the problem, would fall are still in the balance. On the contrary, following the recent reform of the fiscal system, which put an end to the advantages enjoyed by large companies over their competitors, the oil bill of the consuming countries has risen even higher, although, on the other hand, the effective devaluation of the dollar is tending to offset these increases.

There are no logical grounds for believing that in the months to come oil prices will fall substantially. Although the producing countries have agreed to stabilize prices in the next nine months, they have reserved the right to raise these prices, which are in theory frozen, to match inflation in industrialized countries.

It should be observed, however, that any measures by the consuming countries likely to lead to the discovery of hydrocarbons in 'safe' areas other than the Middle East will tend to modify the policy of the producing countries towards the consuming countries.

It is pointless to stress yet again the disastrous consequences for oil-consuming countries of the 400% rise in the price of oil.

Let us simply recall a few figures:

- the overall balance of payments deficit of the industrialized countries has been estimated at \$ 40,000 million at the end of 1974;
- developing countries are showing an annual deficit of \$ 20,000 million, of which at least half is due to the increase in the price of oil; this increase in fact corresponds to the total amount of external aid given to these countries;
- oil-producing countries had a surplus of \$ 60,000 million at the end of 1974.

The serious nature of this situation might lead one to suppose that the states concerned, in particular the industrialized oil-consuming countries, would have laid down a strategy and provided themselves with the means to get out of this crisis situation, or at least to alleviate its effects. Unfortunately, this is not so.

In terms of international cooperation, which does not come under the scope of this report, no noticeable progress has yet been made. As for the introduction of energy policies adapted to the new situation, if one considers the European Community only, one might be tempted to conclude that even less progress had been achieved. More than a year after the beginning of the crisis, the Heads of State or Government of the Member States of the Community have done nothing except invite the Community institutions, following the Paris Summit (9 and 10 December 1974), to work out and implement a common energy policy in the shortest possible time. It is hard to imagine a more hollow position. The Community has not progressed beyond declarations of intent.

(b) Developments

These intentions had already been defined by the Commission in its document 'Towards a new energy policy strategy' (Doc. 136/74).

On 11 July 1974 the European Parliament adopted the resolution<sup>1</sup> contained in the report drawn up on behalf of our committee by Mr Pintat (Doc. 184/74), and noted that there was 'substantial agreement between this communication and the resolutions of the European Parliament on the appropriate immediate, medium- and long-term measures needed to alleviate the energy supply crisis in the European Community'.

At its meeting of 17 September 1974 the Council decided, following the Commission's communication and proposal, to state its position before the end of 1974 on quantitative objectives for the production and consumption of energy by the Community between now and 1985<sup>2</sup>. The communication and proposed resolution on the objectives for 1985, which we are considering today, is a follow-up to this undertaking<sup>3</sup>.

At this point criticism must be expressed of the attitude of both the Commission and Council, since neither considered it necessary to consult the European Parliament on these Community energy policy objectives for 1985.

---

<sup>1</sup> OJ No. C 93, 7 August 1974

<sup>2</sup> Council resolution of 17 September 1974 - Doc. R/2391/74

<sup>3</sup> COM(74) 1960 final



It seems to us that the European Parliament should have been given the opportunity to state its views before these objectives, observance of which will affect the whole of our economy and the development of the Community in general, are fixed. This has not happened, and in fact the Council issued a resolution on 17 December 1974 on the Community energy policy objectives for 1985<sup>1</sup>.

We shall return to the contents of this resolution. Let it be noted, however, that although in principle we should be pleased at the speed with which the Council adopted a position on these Commission proposals, we nevertheless consider that this should not have been at the expense of democratic control. An improvement in the organization of Community work and greater coordination between the European Parliament, the Council and the Commission would certainly make it possible to combine efficiency with democratic principles.

## II. THE OBJECTIVES OF THE COMMUNITY ENERGY POLICY BETWEEN NOW AND 1985

In proposing statistical guidelines for a medium-term energy policy, the Commission has merely extended the guidelines contained in the document 'towards a new strategy.' The most important of these guidelines is to reduce by every possible means the Community's dependence on oil.

To do this, the Commission considers that an increased effort in the nuclear field is necessary, that the level of coal production must be maintained and imports increased, and finally that the consumption of crude oil should be stabilized while greater use is made of natural gas. Insofar as such stabilization is a practical necessity, it is all the more desirable to look for new deposits which could become operational even before 1985. It takes about eight to ten years for investment in the oil sector to produce results, particularly in the case of off-shore exploration in inhospitable areas like the North Sea. The sooner exploration begins, the sooner the goals can be achieved. It must be borne in mind that ten years hence 45-50% of the Community's primary energy needs will still have to be met by oil.

The Commission has made a few changes in comparison with the estimates contained in the document on a new strategy (May 1974). It now estimates that the saving of energy in 1985 may be 15% rather than 10%.

In comparison with the estimates for 1973 and the initial forecasts for 1985 (which were drawn up before the energy crisis), the 1985 objectives are as follows (the objectives of the document 'towards a new strategy' of May 1974 are given in brackets).

<sup>1</sup> See Council Resolution of 17 December 1974 - Doc. 2189/74

Total Primary energy needs in 1985<sup>1</sup> - Community

	1973		1985		1985	
	estimates		initial forecasts		objectives	
	mtoe	%	mtoe	%	mtoe	%
Solid fuels	227	22.6	175	10	250 (250)	17(16)
Oil	617	61.4	1160	64	600-650 (655)	41-44 (41)
Natural gas	117	11.6	265	15	290-340 (375)	20-23 (24)
Hydroelectric and geothermic power	30	3.0	40	2	43 (35)	3(2)
Nuclear energy	14	1.4	160	9	242 (260)	16 (17)
Total	1005	100	1800	100	1475 (1575)	100

<sup>1</sup> Internal consumption + exports + bunkers

(a) Scope of the objectives

In its communication to the Council, the Commission states that 'the purpose of the objectives of the common energy policy is to define the precise nature and extent of the political commitment which the Community would enter into with a view to laying down specific guidelines for its supply structure: they constitute guidelines for national policies and at the same time major indicators for Community energy producers and consumers.'

The scope of the objectives as thus defined meets with our approval, albeit with some reservations: it is not specified how the political commitment is to be made good, which in fact means the difference between these guidelines being transformed into reality and each Member State being free to lay down its own energy policy, deciding after the event whether it was in keeping with the Community guidelines.

Doubt as to the binding nature of the objectives grows if one reads the resolution adopted by the Council on 17 December 1974, under which the Council 'notes that each of the Member States should be able to contribute towards the attainment of these objectives in terms of its own possibilities and obligations' (6th paragraph). And the obligation of the Commission 'to report every six months to the Council on the progress made in the attainment of the Community objectives, in particular on the measures taken at Community and national level' (2nd paragraph) cannot suffice to strengthen the scope of the objectives of the Community energy policy.

(b) Analysis of the objectives

Before the energy crisis, the annual growth rate of internal consumption was around 5%. According to the Commission, the goal to be aimed at in the long term by introducing various measures is to cut back this annual growth rate to 3.5% by 1985. In abstract terms it is impossible to say whether or not such a reduction in the growth rate is feasible. It is clear that the objectives of each energy sector should be related to this goal and the possibility of implementing these objectives should be assessed separately case by case.

Solid fuels

We have already pointed out that the part played by solid fuels in meeting requirements should be about 17% in 1985, an equivalent of 250 mtoe. According to the Commission, these 250 mtoe should be broken down as follows:

- maintaining of the level of Community coal production (180 mtoe);
- increase of coal imports (40 mtoe);
- production of lignite and peat (30 mtoe).

This objective, which the Council has approved, met with certain reservations on the part of our committee when it considered the new strategy. The report by Mr Pintat (Doc. 184/74) stated that 'even if solid fuels only provide 16% of overall requirements one can easily calculate that the proportion of imports does not tally with reality'. This view was based primarily on information obtained at a hearing of experts organized by our committee, the results of which are contained in the report by Mr Leonardi (Doc. 185/74). Our committee was therefore of the opinion that the figure of 250 mtoe could be achieved only by an increase in Community coal production. In the interests of greater security of supply, it believes this still holds true, even taking into account the Community's new prospects of importing coal.

#### Natural gas

The Commission and the Council consider that natural gas supplies should increase from 117 mtoe in 1973 to 290-340 mtoe in 1985 (Community production 195-225 mtoe - imports 95-115 mtoe). As the Commission itself states, the objective is an ambitious one. Under the circumstances, however, ambition is not enough if it is impossible to achieve. Is it really possible for supplies of natural gas to be increased to such an extent by 1985, even if exploration for new deposits is stepped up to the maximum?

In view of the lack of more detailed information on possible new sources of gas in the Community and on the origins of imported gas, it is difficult to say whether this objective is realistic. Nevertheless, it remains true, as we have already stressed, that imports must be shared between the various exporting countries so that none of these countries is in a position to 'impose political pressure on the Community, leading to the sacrifice of important interests.'<sup>1</sup>

Finally, our committee would have appreciated it if the Commission had given more information about the availability of the infrastructures required for such an increase in the importation and consumption of natural gas.

<sup>1</sup> See Pintat report, Doc. 184/74

## Nuclear energy

The proposal for a resolution submitted by the Commission states that the Community should 'install power stations with a capacity of 200 GWe by 1985, supplying almost half of the electricity generated.' It should be pointed out immediately that the Council was more cautious in its resolution, laying down a power of only 160 GWe, which in fact corresponds to the total of current national programmes. Although we cannot fully endorse the Commission's proposal, we nevertheless consider that the Council's attitude in this matter (i.e. fixing as an objective in the Community nuclear energy policy the sum of what had already been agreed at national level) makes one wonder as to the Council's desire to exceed the national level to attain a real Community energy policy.

With regard to the Commission's proposal (the proportion of demand covered by nuclear energy to grow from 1.4% in 1973 to 16% in 1985), our committee has repeatedly criticized the facile solution of requiring that nuclear energy should cover that part of the demand which cannot be met from other sources of energy. This does not take sufficient account of all the conditions which such development would require or all the limiting factors which affect nuclear power (time lapse between the decision to build a nuclear power station and its completion, European industry's ability to cope with such a programme, problems concerning the choice of site and safety, need to protect the environment, storage of waste, financing problems, etc.).

Unless the Commission can supply answers to all these questions in the near future our committee must remain sceptical as to the objective of 200 or even 160 GWe by 1985. This does not mean failure on our part to recognize the purposeful nature of the Commission's proposal.

The Commission's representatives pointed out during the debates that in fixing a target of 200 GWe they had taken into consideration a number of factors, the most important of which was whether or not the Community accepted in the long term the present degree of dependence on imported oil. The European Parliament has always held that such a situation was intolerable. But this does not automatically mean that nuclear energy will be able to reduce this dependence to the extent laid down in the objectives for 1985.

A priority effort must certainly be undertaken in this field. To be credible, however, the contribution of nuclear energy to meeting energy requirements in 1985 must be fixed on the basis of a realistic study rather than simple subtraction of the share of other energy sources from total requirements.

Our committee has also debated questions connected with the availability of nuclear fuel, both from the point of view of security of supplies of natural and enriched uranium (building in Europe of the necessary factories) and also from that of prices. The report to be submitted shortly on behalf of our committee on the proposals concerning the Community's policy on supplies of nuclear fuels<sup>1</sup> will analyse the various aspects of this problem.

There is one more important task to which the European Parliament and each of its Members must contribute. The development of nuclear energy is being held back by excessive anxiety on the part of the public. We must therefore undertake a large-scale information campaign to convince public opinion of the great opportunity offered by nuclear energy. This is the only way to ensure that the energy policy laid down by the Community and the Member States is not obstructed.

### Oil

The objective of setting up a structure within which no decision-making centre could exert such pressure as to upset the overall supply stability, in terms of quantity and price, applies particularly to oil. Our committee accordingly notes with interest the objectives laid down by the Commission, to

- limit oil consumption where it can be replaced economically by other sources of energy;
- increase production by Member States in the North Sea to obtain 180 mtoe by 1985 at the latest;
- reduce imports of oil from non-member countries to 420-470 mtoe, which is to say around 30% of total energy needs (61% in 1973) or 70-72% of oil consumption (98% in 1973).

The Council felt unable to accept the Commission's proposals entirely. In fact, it has limited oil imports to 540 mtoe rather than 420-470 mtoe, which our committee regrets. We do not know how the Council arrived at this figure, and can only reaffirm that absolute priority should be given to measures to limit the consumption of oil and to substitute other energy sources.

Furthermore, we wish again to express our regret that the Commission and Council have not implemented sooner the regulation on aid for Community projects for hydrocarbon exploration.

---

<sup>1</sup> COM(74) 1963 final

These projects having been limited up to now to the technological sector, it is only now, two years after the principle of aid to Community undertakings was acknowledged, that the Commission has produced its draft regulation on such aid.

### III. MEASURES TO BE TAKEN

We have already expressed our strong disapproval of the non-binding nature of the objectives which have been laid down. In the resolution adopted by the Council, the latter introduced a recital stating that 'each Member State should be able to contribute to the attainment of these objectives according to its own possibilities and obligations.' Similarly, the Council resolution takes up a proposal from the Commission by requesting that 'Member States take account of these Community objectives when formulating their supply policies.'

Nevertheless, Community energy policy objectives for 1985 could carry greater force by the Council specifying the measures to be taken.

Thus, in addition to defining objectives, the proposal for a resolution contains a list of measures to be taken. These consist in the main of a summary of the proposals in the various sectors at present before the Council, and on which our committee will be asked to report. The Council did not include this aspect in its resolution of 17 December 1974, and it would seem that this point is on the agenda of its meeting on 13 February 1975.

Once more, our committee will report to the European Parliament on these measures when considering the Commission proposals concerning the various sectors.

Apart from these considerations, however, we feel we must emphasize that the success of the Community energy policy in terms of the objectives fixed for 1985 depends to a very large degree on the political resolve shown by the Council. The Council's resolution of 17 December 1974, despite the shortcomings we have pointed out, particularly in connection with the objectives set for nuclear power and oil, does at least exist and constitutes a basis for the common energy policy.

Realistic energy prices: We must also draw attention to the problem of energy prices and observe that in most European countries - and the same thing has been noted in the United States, too - the problem of realistic prices has never been tackled properly.

It is important that the prices of the various energy sources on the internal market should be consistent, that is, they should be fixed according to their respective value, at the same time taking account of the need for self-financing, which is absolutely essential to ensure energy independence.

Up to now, in their anxiety to curb inflation - and entertaining hopes of a reduction in oil prices - some governments have accepted the idea that undertakings in the energy sector (electricity, gas and oil) could, with impunity, record large deficits in 1974. For these sectors of industry this is tantamount, in fact, to subsidizing consumers of these energy sources at the expense of the self-financing capacity of these undertakings.

This attitude needs to be altered through systematic consultation among the Member States, in order to avoid distortions of prices and treatment of the various energy sectors of these countries. It is essential that energy undertakings should, through prices commensurate with their costs, enjoy margins adequate to provide the self-financing required to secure new supplies, in conformity with the goal of independence in the matter of energy.

#### IV. CONCLUSIONS

Our committee has always claimed that the energy crisis could be solved in the long term and that its effects could and should be alleviated as soon as possible. We have also emphasized that the Member States are not and will not be able to save themselves individually, and that only a policy formulated at Community level, leading the way to the necessary cooperation with the other regions of the world, could lead to a solution.

That is why our committee welcomes the principle of laying down quantitative objectives for the common energy policy, which must serve as guidelines to the Community and to Member States. Our committee agrees in principle to the objectives themselves, apart from the reservations expressed above.

It is obvious that no decisive step towards a genuine common policy can be made without the definition, introduction and implementation of measures to attain these objectives.